Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?		
Indicator Targets	Does not meet standard	The school does not meet standard on 2 or more of the five sub-indicators shown below.
	Approaching standard	The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.
	Meets standard	The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.
	Exceeds standard	The school meets standard for all 5 sub-indicators.

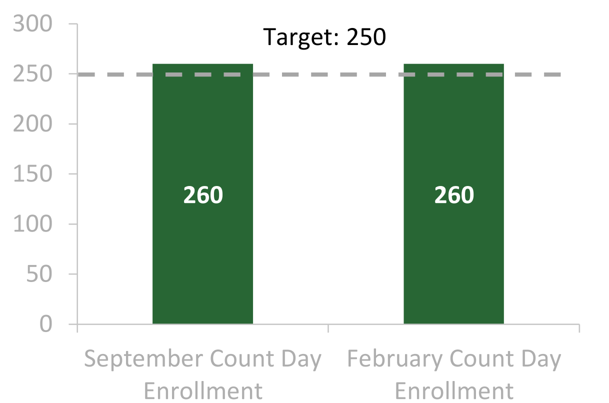
School Rating	**Year 1**	**Year 2**	**Year 3**	**Year4**	**Year 5**	**Year 6**	**Year 7**
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	ES						

Sub-indicator Ratings	Sub-	Sub-indicator targets		Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%	104%	MS
		AS	Enrollment ratio is between 90 – 98%		
		MS	Enrollment ratio equals or exceeds 99%		
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%	100%	MS
		AS	Enrollment ratio is between 90 – 95%		
		MS	Enrollment ratio equals or exceeds 95%		
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0	4.66	MS
		AS	Current ratio is between 1.0 – 1.1		
		MS	Current ratio equals or exceeds 1.1		
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30	109	MS
		AS	Days cash on hand is between 30-45		
		MS	Days cash on hand equals or exceeds 45		
	Debt Default	DNMS	Default or delinquent payments identified	Meets	MS
		MS	Not in default or delinquent		

Global Preparatory Academy (GPA) received a rating of **Exceeds Standard** for Core Question 2.1 because it **met standard** in all sub-indicators.

At the September 2016 Count Day, the Indiana Department of Education (IDOE) indicated that school had 260 students enrolled. This is 104% of the 250 students that the school promised the community it would serve in its charter contract. As a result, the school **met standard** for the September Enrollment Variance ratio.

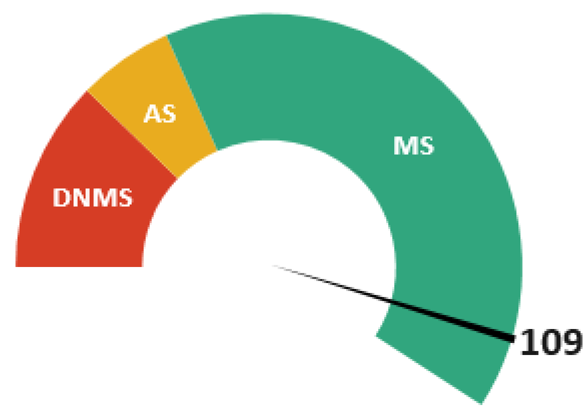
Enrollment Variance Ratio



The school **met standard** for its February Enrollment Variance. This sub-indicator is calculated by dividing the number of students enrolled in the school on the February 2017 Count Day conducted by the Indiana Department of Education divided by the number of students enrolled at the time of the September 2016 Count Day. IDOE indicated that the school had 260 students enrolled at the February Count Day. This represents 100% of the number of students enrolled at the time of the September Count Day.

With regard to its current ratio, the school **met standard** meaning that it had current assets (cash or other assets that can be accessed in the next 12 months) that did exceed its current liabilities (debt obligations due in the next 12 months) by 10% or more.

Days Cash on Hand



Additionally, the school ended the year with 109 days cash on hand and **met standard** for this ratio. Days cash on hand is an important measure of a charter school's fiscal health because it indicates how many more days after June 30, 2017, the school would have been able to operate at its same spending levels without receiving additional financial resources from IDOE.

Lastly, the school **met standard** for debt default. This metric is determined by both the auditors' comments in the audited financial statements and contact with the school's creditors. In the case of GPA, neither its auditors nor its creditors provided any indication that the school had defaulted on its debt obligations.

Based on the summary of these sub-indicator ratings, GPA received a rating of **Exceeds Standard** for Core Question 2.1.

2.2. Long-term Health: Does the organization demonstrate long-term financial health?		
Indicator Targets	Does not meet standard	The school does not meet standard on any of the 3 sub-indicators **OR** meets standard on 1 sub-indicator but does not meet standard on the remaining 2.
	Approaching standard	The school meets standard on 2 of the sub-indicators while not meeting on the third, **OR** approaches standard on all 3 sub-indicators.
	Meets standard	The school meets standard on 2 of the sub-indicators and approaches standard on the third.
	Exceeds standard	The school meets standard for all 3 sub-indicators.

School Rating	Year 1	Year 2	Year 3	Year4	Year 5	Year 6	Year 7
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	ES						

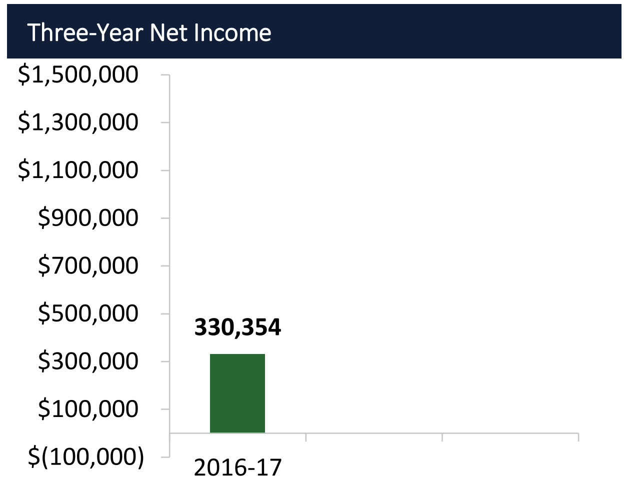
Sub-indicator Ratings	Sub-	Sub-indicator targets		Result	Rating
	Aggregate Three-Year Net Income	DNMS	Aggregate 3-year net income is negative.	N/A (aggregate) $330,354 (current)	MS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.		
		MS	Aggregate three year net income is positive, and most recent year is positive.		
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95	0.59	MS
		AS	Debt to Asset ratio is between .9 - .95		
		MS	Debt to Asset ratio is less than or equal to .9		
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05	13.43	MS
		AS	DSC ratio is between 1.05-1.2		
		MS	DSC ratio equals or exceeds 1.2		

The school received a rating of **Exceeds Standard** for Core Question 2.2. The school **met standard** for the net income sub-indicator. It had a current year net income of $330,354. Since 2016-17 was the first year of operation for GPA, it is not possible to calculate the three year aggregate net income.

The school **met standard** for the debt to asset ratio sub-indicator. The school had a ratio of 0.59 meaning that it had debt that was equivalent to 59% of its assets for the 2016-17 fiscal year.

Lastly, the school **met standard** for its debt service coverage (DSC) ratio. This means that the school generated adequate net income to fulfill its debt obligations due through June 30, 2018.

Given that GPA received a rating of **meets standard** for each of the sub-indicators that were evaluated, it receives a rating of **Exceeds Standard** for Core Question 2.2.



2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard	The school does not meet standard on 1 of the sub-indicators.					
	Approaching standard	The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.					
	Meets standard	The school meets standard on both sub-indicators.					
School Rating	**Year 1**	**Year 2**	**Year 3**	**Year4**	**Year 5**	**Year 6**	**Year 7**
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	MS						
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets		Rating			
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, material weakness, or has an ongoing concern.	MS			
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.	MS			
		MS	The school satisfies all financial reporting requirements.				

GPA received a rating of **Meets Standard** for Core Question 2.3 for the 2016-17 school year.

Donovan CPAs, the school's auditor, did not notice any material weaknesses or significant deficiencies within the school's financial controls, as reflected on the supplementary report. However, the auditors did report minor findings to which the school promptly responded to with a concise plan on how to solve the issues.

During the audit process, the auditors discovered that the school failed to submit a Form 990 to the IRS for fiscal years 2014, 2015 and 2016, which resulted in Global Preparatory Academy losing its 501(c)(3) tax-exempt status as of May 2017. When the auditors discovered the error and communicated it to GPA leadership, the necessary steps were taken to ensure the school is returned its 501(c)(3) tax-exempt status. These steps included filing the Form 990 for the three years mentioned above and filing Form 1023, which the school had filed as of February 26, 2018.

While the school **met standard** for this sub-indicator, it is worth noting that OEI issued a Notice of Non-Compliance as a response to the Internal Revenue Service's revocation of GPA's 501(c)(3) tax-exempt status.

GPA submitted 100% of its financial reporting documents to OEI in a timely manner. In addition, the draft for the 2016-17 school year was submitted to SBOA in a timely manner. As a result, GPA **met standard** for this sub indicator.

Having **met standard** on both sub-indicators, the school received a rating of **Meets Standard** for Core Question 2.3 for the 2016-17 school year.